

William F. Buettner

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1 your opinion.		1 consolidated financial statements taken as a	
2 A. I do not recall talking to		2 whole."	
3 Mr. Martin about his letter to Miss Taylor at		3 I've read that accurately?	
4 all.		4 A. Yes, sir.	
5 Q. Do you recall talking to anybody at 09:22:19		5 Q. I made a mistake yesterday, so I'm 09:25:43	
6 AHERF about Mr. Martin's letter?		6 trying to up my average again today.	
7 A. No, I don't.		7 My question is I think fairly	
8 Q. Thank you.		8 simple, the first one anyway, the supplementary	
9 Let me ask you to look at the 1997	09:22:57	9 consolidating financial information referred to	
10 audited financial statements with me for a		10 in this report is what? 09:25:57	
11 moment. Mr. Buettner, they were marked early		11 A. It would be the information	
12 on in the litigation as Exhibit 58. I imagine		12 attached to this booklet, if you want to call	
13 you've seen these a number of times before		13 it that, that's beginning on page 27 and	
14 today?		14 continuing through page, is that 41 or 42?	
15 A. Yes. 09:23:18		15 Q. It looks like 42. But the last 09:26:20	
16 Q. Let me ask you to look with me at		16 page of the exhibit, in any event?	
17 just one page for now, which is the report of		17 A. Yes.	
18 independent accountants on consolidated and		18 Q. Which I think has a Bates label at	
19 combining -- and combining financial		19 the bottom which ends with the digits 936?	
20 information. I think it's page 26 of the 09:23:35		20 A. Yes. 09:26:29	
21 packet in its original page numbering.		21 Q. Thank you, sir.	
22 Are you with me?		22 Where did the language that's	
23 A. Yes, I'm on page 26.		23 contained in this paragraph come from, if you	
24 Q. Would you go ahead and just read to		24 know?	
25 yourself that report which is a paragraph long, 09:23:54		25 A. This paragraph is consistent with 09:26:46	
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1 and then I'll have just a few questions about		1 guidance that you would see in either the	
2 it for you.		2 statement on auditing standards reporting for	
3 A. Okay, yes, sir.		3 consolidating and combining information within	
4 Q. Can you tell me if, first of all,		4 the statement on auditing standards, or within	
5 the signature beneath the report is the Coopers 09:24:38		5 the C&L audit manual that would address the	
6 & Lybrand firm signature but written in your		6 same subject matter.	
7 hand?		7 Q. I understand you've said it was	
8 A. That's correct, yes.		8 consistent with. Do you know that to be the	
9 Q. That's the same signature that		9 source for the language?	
10 appears on the report for the -- the report of 09:24:46		10 A. Yes, yes. 09:27:14	
11 independent accountants, which is on the third		11 Q. Who prepared that language that you	
12 page of the exhibit or page one at the bottom?		12 then signed, if you know today?	
13 A. Yes, I signed both letters.		13 A. It would be the engagement team. I	
14 Q. Now back to page 26, sir.		14 can't tell you which individual specifically,	
15 About two-thirds of the way through 09:25:04		15 but it would be the in-charge or the manager. 09:27:26	
16 the paragraph, a sentence reads -- actually		16 Q. Do you recall commenting on the	
17 it's the last sentence, I believe, of the		17 language or making edits to the language before	
18 report. Let me correct myself.		18 its final version and your signature was	
19 That sentence reads, "The		19 applied?	
20 supplementary consolidating financial 09:25:20		20 A. I would have reviewed the language. 09:27:40	
21 information has been subjected to the auditing		21 I do not recall specific comments, but I would	
22 procedures applied in the audit of the		22 have reviewed the language and compared it to	
23 consolidated audited financial statements and,		23 the technical standards that existed within the	
24 in our opinion, is fairly stated in all		24 C&L policy requirements and the statement on	
25 material respect in relation to the 09:25:35		25 auditing standard requirements. 09:27:57	

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1	I do not remember making changes,		1	structure within the AHERF system, certain
2	but I would have reviewed it and compared it to		2	substantive tests and analytical procedures we
3	the authoritative literature.		3	would perform on information provided to us by
4	Q. Was it your understanding that this		4	management, interviews of management, client
5	report on this page and the consolidating	09:28:09	5	representations or management representations
6	information to which it refers was necessary to		6	on certain key matters, as well as obtaining
7	satisfy the reporting requirements of the		7	representations from outside third parties such
8	various lenders for the various obligated		8	as attorneys and so on.
9	groups at AHERF?		9	So those audit procedures provided
10	MR. RYAN: Could I get that read	09:28:25	10	us with a platform, if you will, to reach
11	back, please?		11	conclusions on the reasonableness of the
12	(Record read.)		12	consolidated financial statements.
13	MR. RYAN: Thank you.		13	Those same audit procedures were,
14	A. Yes, my conclusions were based on	09:28:49	14	in effect, useful in helping us review the
15	the conclusions of Mr. Zimmerman that this		15	consolidating and combining financial
16	reporting format would meet certain reporting		16	information that was attached to this
17	requirements for the obligated groups. I		17	consolidated financial statement package AHERF
18	believe the obligated groups had other		18	had prepared because, in effect, the audit
19	reporting requirements, but there was one	09:29:07	19	procedures were performed on AHERF activities
20	specific reporting requirement outlined in		20	across the system, and that would include the
21	Mr. Zimmerman's letter, and this document		21	activities of these -- of some of these
22	helped AHERF management meet that reporting		22	organizations here or these organizations
23	requirement.		23	listed in these schedules.
24	Q. What specific reporting requirement	09:29:19	24	Q. Did you ever discuss the purpose of
25			25	the report on the consolidating information
				09:32:11
1	do you refer to?		1	which appears at page 26 with any members of
2	A. Well, it would be the reporting		2	the audit committee?
3	requirement in terms of audited financial		3	A. Yes, that discussion -- that item
4	information or financial information from the		4	was discussed with the audit committee during
5	client in terms of the AHERF system. And	09:29:36	5	both the planning phase audit committee
6	Mr. Zimmerman outlined how that reporting		6	meeting, which occurred, I believe, in the
7	requirement could be met by providing an		7	spring of '97, as well as at what I would call
8	audited consolidated financial statement for		8	the fall meeting, which occurred, I guess, in
9	AHERF.		9	October.
10	Q. When you reviewed and then signed	09:29:59	10	Q. What do you recall telling them
11	the report and the language included in it		11	about the purpose of this report, if anything
12	which read that the supplementary consolidating		12	today?
13	financial information has been subjected to the		13	A. First of all, the discussion was
14	auditing procedures applied in the audit for		14	both from management as well as from Coopers &
15	the consolidated financial statements, what did	09:30:17	15	Lybrand.
16	that mean to you, the phrase "has been		16	Q. Who at management participated?
17	subjected to the auditing procedures applied in		17	A. I believe it was Mr. McConnell, but
18	the audit of the consolidated financial		18	my recollection is not a hundred percent on
19	statements"?		19	that, but I believe it was Mr. McConnell.
20	A. Well, obviously audit procedures	09:30:29	20	Q. What did you say is what I'm
21	were performed for us to reach our opinion, if		21	interested in.
22	you will, on the consolidated financial		22	A. Well, there were certain points
23	statements. Those audit procedures would		23	that Mr. McConnell brought up regarding reasons
24	include inquiry and observation of management		24	for the change. And I believe at the spring
25	actions, testing of the internal control	09:30:47	25	meeting there was a discussion, for this to
				09:33:10
				09:33:24

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1 work, it was necessary for the system to 2 research the impact it would have on the bond 3 trustees or these Obligated Group reporting 4 issues.		1 appropriately revised by the client, we are 2 required to issue a qualified or an adverse 3 opinion."	
5 I basically concurred with the 09:33:42 6 presentation or the outline of the facts that 7 Mr. McConnell provided to the Committee in the 8 spring meeting, as well as at the fall meeting.		4 Is that what the second sentence 5 says? 09:39:04	
9 Q. Mr. Buettner, I'm handing you what 10 we've marked as Exhibit 4404, which is, I 09:34:23 11 believe, an excerpt again from the Business 12 Assurance Manual, this one being section 440, 13 Reports on Consolidating Information. The 14 exhibit number again is 4404, I guess, almost 15 coincidentally. 09:34:47		6 A. Yes. 7 Q. Did you review this section of the 8 Business Assurance Manual in connection with 9 your review or planning for the signature or 10 signing off on the report marked as Exhibit -- 09:39:21 11 marked as 26 of Exhibit 58? 12 A. No, I don't recall specifically 13 looking at this section. I was aware of the 14 existence of the section just based on my 15 experience as a partner. 09:39:37	
16 Could you take a moment to look at 17 least the first two pages, which is the only 18 pages -- which are the only pages I'll have 19 questions on, but review what you need to and 20 then I'll have a few questions on this for you. 09:34:58		16 Q. Does this section -- strike that. 17 What does supplementary data mean 18 to you? 19 A. Well, supplementary data would 20 include schedules of information that are not 09:39:52 21 readily available when one reviews a 22 consolidated financial statement. It may be 23 information that's required by, let's say in an 24 SEC filing, quarterly reporting information, 25 things of that nature. 09:40:16	
21 A. Sure. 22 Okay. 23 Q. Thank you, Mr. Buettner. 24 My question is only, really, I 25 think, a section called Supplementary Data 09:37:47			
	Page 584		Page 586
1 Qualified Because of a Departure From GAAP, 2 which is apparently on the second page of the 3 document which ends in the Bates digits 165. 4 Do you see that section? 5 A. Yes. 09:38:02		1 Q. Did you consider the schedules 2 attached after page 26 to the report on page 26 3 in Exhibit 58 to be supplementary data in 1997? 4 A. It's financial information. I 5 don't know if I necessarily would indicate that 09:40:32 6 it's supplementary data, but it's information 7 that from my perspective is not readily 8 available from reviewing the consolidated 9 financial statements. But I don't believe it 10 would necessarily fall under the definition of 09:40:50 11 supplementary data that you would find in the 12 statement and auditing standards, let's say. 13 Q. The paragraph also relates to 14 supplementary information, or it refers to it. 15 It reads in the sentence that follows, 09:41:01 16 "Therefore, in such instances, our opinion on 17 the supplementary information should be 18 appropriately modified." And it continues. 19 Do you believe that the schedules 20 attached to your report on page 26 of Exhibit 09:41:15 21 58 are supplementary information? 22 A. Yes. 23 Q. So do you think this section 440.6 24 on supplementary data qualified because of a 25 departure from GAAP would apply to the 09:41:30	
6 Q. It has apparently a few 7 subsections, but subsection .6 is the one I'm 8 particularly interested in. It reads, in part, 9 "When we report on consolidating financial 10 statements as supplementary data and we are 11 aware that one or more of the individual 12 statements contain a departure from Generally 13 Accepted Accounting Principles, GAAP, that is 14 material to the individual company but not to 15 the consolidated group, our responsibilities 09:38:32 16 are not different from when we are aware of a 17 material departure from GAAP in any other 18 financial statements with which we are 19 associated." 20 Did I read the first sentence 09:38:47 21 accurately? 22 A. Yes. 23 Q. Whenever we -- I'm sorry, "Whenever 24 financial statements depart materially" -- 25 "materially from GAAP and they're not 09:38:54			

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1 and things that we would have to get done, 2 either remaining work for preliminary or things 3 that we would have to look at for year-end. 4 Q. What do you recall hearing about or 5 discussing with respect to the aging versus the 10:11:04		1 Did you have an understanding in 2 June of '97 about which sets of hospitals, 3 which sets of AHERF hospitals were involved in 4 having 80 million dollars of accounts 5 receivable written off? 10:13:13
6 A. I don't recall anything -- anything 7 specific. 8 Q. Do you recall anything about 9 revenue problems or bad debt -- rather, bad 10:11:18		6 A. I believe my understanding at the 7 time was that that was related to the eastern 8 operations, and that would include the 9 write-off of certain accounts, if you will, 10 that were maintained on old systems because of 10:13:31 11 systems conversion.
11 debt problems at Hahnemann University Hospital 12 or MCP Hospital? 13 A. I don't recall any specific 14 conversation. 15 Q. What about the item under bad debt 10:11:29		12 Q. Was that the PATCOM system that 13 you're referring to there? 14 A. Yes. I didn't write it here, but 15 that was my understanding, that that was a part 10:13:39 16 of the 80 million. 17 Q. That PATCOM system was in place at 18 some point at hospitals that were members of 19 the Delaware Valley Obligated Group, is that 20 correct? 10:13:52
20 A. Nothing specific. 10:11:47		21 A. Yes, I believe that's the case. 22 Q. When there is a charge-off or a 23 write-off of accounts receivable, what happens 24 with the bad debt reserve? 25 A. Well, it would -- management can 10:14:05
1 dollars of receivables. 2 Q. Charged off means written off the 3 books? 4 A. Yes, written off of the, in effect, 5 written off of what I would call the A/R 10:12:11 6 subsidiary ledger. 7 Q. Which subsidiaries did you 8 understand to be involved as of this time 9 period, June of '97? 10 A. When I say subsidiary ledger, I'm 10:12:20	Page 600	1 actually handle a charge-off in two different 2 ways. The first method is to write off the 3 account off of, again, the subsidiary accounts 4 receivable ledger. So you're eliminating 5 people's names in terms of potential debtors to 10:14:22 6 the organization. 7 When you write it off, you reflect 8 that write-off via a reduction of your 9 allowance for uncollectible accounts or bad 10 debt reserve. 10:14:35
11 Q. Another methodology that you could 12 follow is to write off the receivable in a 13 similar fashion but, instead of reducing the 14 reserve, simply charge it against the bad debt 15 expense of the organization for that particular 10:14:50 16 year. 17 Q. The bad debt expense is reflected 18 on the income statement? 19 A. Yes. 20 Q. Do you have a recollection today as 10:14:56 21 to which of those options, if either, AHERF 22 employed? 23 MR. RYAN: For the 80 million? 24 MR. JONES: Yes. 25 A. I can't tell you. 10:15:09		

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1 Q. Did a charge-off of that size cause 2 you some concern?		1 A. Okay.	
3 A. No. The organization historically 4 charged off amounts. The amounts were, in 5 1997, the 80 million dollars was larger than 10:15:39		2 Q. Do you believe the handwriting on 3 the document is all yours, sir?	
6 what you would have seen let's say in previous 7 years. But it wasn't an unusual activity. 8 Historically you would see 9 charge-offs in the 40, 50 million dollar range, 10 let's say. So it was larger. But it -- it did 10:16:04		4 A. Yes, I do.	
11 not provide me with concern as you asked me as 12 an item we would consider in terms of our 13 additional audit work. 14 Quite frankly, I viewed it as an 15 action that in a way gave me some comfort that 10:16:21		5 Q. Was this handwriting placed on the 10:19:45 6 document all at one time or at different times? 7 MR. RYAN: You mean all of the 8 pages?	
16 management was attempting to address these 17 accounts receivable problems that were 18 lingering. So from an auditor's perspective, 19 it gave me comfort that they're attempting to 20 address this issue on a variety of fronts. 10:16:43		9 MR. JONES: Yes.	
21 Q. Do you recall the risk assessment 22 for accounts receivable in 1997 for your audit 23 work?		10 Q. If you know. 10:19:55	
24 A. In our planning document?	10:16:55	11 A. At different times.	
25 Q. Yes. 10:16:55		12 Q. Let me ask you then in particular, 13 do you know when you did the handwriting that 14 appears at pages 36437, 36438, and the pages 15 that follow through to 36443? So it's 437 10:20:17 16 through 443.	
		17 A. These documents would have been 18 prepared at various times during what I would 19 call the wrap-up phase or the final review 20 phase of the AHERF engagement. 10:20:47	
		21 I can't put specific dates on them, 22 but some would be as, perhaps, as early as the 23 end of August and others would be sometime in 24 September or early October.	
		25 Q. Of 1997? 10:21:04	
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1 A. I'm not sure if it was low or below 2 the max. My -- I just can't remember.		1 A. Yes. Yes.	
3 Q. Do you know as you sit here today 4 who took the lead at the managerial level on 5 the engagement team in accounts receivable for 6 fiscal year '97?		2 Q. The wrap-up you referred to was the 3 wrap-up of the '97 audit?	
7 A. I believe that was Amy Frazier.		4 A. Well, wrap-up of what I would call 5 a draft -- final draft report going to the 10:21:16 6 audit committee, yes.	
8 - - - - -		7 Q. That occurred in October?	
9 (Thereupon, Deposition 10 Exhibit 4473 was marked for 11 purposes of identification.)		8 A. Yes.	
12 - - - - -		9 Q. Of '97?	
13 Q. Mr. Buettner, I'm handing you 14 Exhibit 4473. I believe you've seen this 15 document before. But the first page of it is a 10:18:02		10 A. Yes, yes. 10:21:24	
16 typewritten document headed Allegheny Health, 17 Education and Research Foundation, 1997 audit 18 update, October 1, 1997. And then there are a 19 series of pages that follow, some of them 20 typewritten and some of them are handwritten 10:18:22		11 Q. So all of these notes on the pages 12 I just mentioned would have been penned before 13 the audit committee meeting?	
21 schedules.		14 A. Yes. Yes. Well, I would say 99 15 percent of them. I can't speak to every -- 10:21:38	
22 Could you do me the favor of 23 looking at the document, and take a few moments 24 if you need it, and let me know if the 25 handwriting you believe to be all yours. 10:18:34		16 every item because at the end of the 17 engagement, these things ended up in my notes 18 with the audit committee book as well. I 19 continued to use this document as we went 20 through subsequent events review and a final 10:21:51 21 disposition of various issues and eventual 22 release of the audit report after the holidays 23 in 1997.	
		24 Q. Is there anything in the notes from 25 the beginning of the document to the end that	10:22:09

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1	you now see and recall as being penned after		1 trying to put together some additional analysis
2	October of -- after the audit committee meeting		2 for the audit committee meeting in performing
3	in October of 1997?		3 my review of the financials.
4	A. Well, for instance, on page 433.		4 Q. So you were using the typewritten
5	Q. Do you believe that to have been	10:22:28	5 version that does -- the typewritten pages that 10:24:56
6	penned after the October audit committee		6 do appear in Exhibit 4473 in connection with
7	meeting?		7 your review of the draft financial statements
8	A. No, no. But there are two or three		8 and to prepare for the audit committee meeting?
9	numbers that are scratched out and then numbers		9 A. Yes, yes.
10	circled. I believe I got that information at a	10:22:36	10 Q. Thank you. 10:25:09
11	later date. All I did was just update the		11 I'm going to ask -- going to ask
12	schedule here because I was using this as --		12 you to look at page 431 for a minute.
13	this information, if you will, during some		13 Do you see about midway down the
14	subsequent events work as well.		14 page there's a bullet point that reads, "Also
15	Q. Any other set of handwriting that	10:22:50	15 during 1997, the AHERF system adopted a uniform 10:25:26
16	you believe was added after October -- the		16 bad debt reserve methodology." Then it
17	October audit committee meeting?		17 continues. Do you see that?
18	A. I can't remember specifically, no.		18 A. Yes.
19	Q. Let me ask you to look in		19 Q. Do you recall that being the case?
20	particular now at pages 438 and 439. Do you	10:23:03	20 A. Yes, they, "they" being AHERF 10:25:41
21	know if these were penned in August of 1997?		21 management, attempted to implement the comment
22	A. Probably a little later as I was		22 that we had given to them I guess in 1995
23	going through some sort of what I would call		23 originally.
24	top side review of financial statements.		24 Q. Do you recall that the new
25	Q. When you say a little later, does	10:23:26	25 methodology involved the application of new 10:25:54
1	that mean early September 1997?	Page 608	
2	A. No. Well, sometime in September or		1 percentages to aging buckets of receivables?
3	early October.		2 A. I do not believe that that was the
4	Q. Is that your best approximation?		3 case, but I'm not a hundred percent sure.
5	A. Yes, yes. 10:23:39		4 Q. Did you believe at this point in
6	Q. That's of 1997?		5 October of 1997 that the old methodologies were 10:26:11
7	A. Yes.		6 inadequate for their purpose in prior fiscal
8	Q. Thank you.		7 years?
9	Was this typewritten portion of the		8 MR. RYAN: Could I have that read
10	document, which apparently has one, two, three,	10:23:59	9 back, please?
11	forgive me here, four, five, six pages, and		10
12	they're not all in order in the exhibit, but		11 (Record read.)
13	six pages of typewritten text, was it prepared		12 A. No.
14	for a meeting?		13 Q. Do you know who developed the new
15	A. Yes. Well, yes, it was prepared 10:24:18		14 methodology or the new percentages?
16	for a meeting and also to assist the managers		15 A. I can't tell you specifically who 10:26:42
17	and partners in performing, again, what I would		16 at AHERF performed that work.
18	call this top side review of the financial		17 Q. Can you tell me by department at
19	statements. We prepared a similar document in		18 AHERF?
20	'96. 10:24:37		19 A. No, I really can't.
21	The engagement team would prepare		20 Q. So you don't know who it was? 10:26:49
22	this. I don't know if this is the final		21 A. No.
23	draft -- final copy of the document. There		22 Q. Had you worked with Dan Cancelmi
24	were various drafts. I believe I was given an		23 when he was at Coopers & Lybrand?
25	earlier draft and I was using it as I was	10:24:46	24 A. Yes.
			25 Q. What was your estimation of him as 10:27:00

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1	an accountant and an auditor as of October of 2 1997?	1 A. I thought the methodology adopted, 2 which, from my understanding, was very 3 consistent with the AGH methodology that 4 Allegheny General had used for a number of 5 years, was an appropriate methodology.	10:29:31
3	A. I viewed him as being a very 4 bright, hard working individual who understood, 5 from a technical perspective, the accounting 6 requirements, external reporting requirements.	6 Q. Mr. Buettner, at some point you 7 became aware that AHERF had booked entries, 8 accounting entries in connection with the 9 acquisition of the Graduate hospitals that 10 effectively transferred 50 million dollars' 11 worth of reserves to the Delaware Valley 12 Obligated Group hospitals, which had the effect 13 of increasing the bad debt reserve at those 14 hospitals. Am I right?	10:30:02
7	Q. Had you worked with him on AHERF 8 audits?	15 A. Yes.	10:30:19
9	A. Yes, he was my manager on the AHERF 10 audit for a year or two.	16 Q. When is it that you first became 17 aware of that?	
11	Q. Do you believe that the patient 12 financial services group would -- strike 13 that -- should have been involved in developing 14 any bad debt methodology for AHERF hospitals?	18 A. Sometime during the year-end work 19 that we had -- we were performing -- "we" being 20 C&L -- we were performing at AHERF, late July,	10:30:35
15	MR. JONES: The Bells of St. Mary's 16 have rung again. Let's hold for a minute.	21 early August of 1997.	
17	MR. CLOSE: I'm sorry.	22 Q. That's your best estimate, late 23 July, early August?	
18	MR. JONES: We're even.	24 A. Yes.	
19	MR. RYAN: That's what I was 20 thinking, one to one.	25 Q. How is it that you became so aware?	10:30:48
21	Q. Let me give you that question 22 again.		
23	A. Fine.		
24	Q. You had familiarity with a 25 department at AHERF, sir, called the patient		
	10:27:16		
	10:27:32		
	10:27:56		
	10:28:04		
	10:28:11		
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1 we had this conversation. I simply can't 2 remember.		1 accept the reserves over the Delaware Valley.	
3 Q. What is it now that you do recall 4 her telling you?		2 Q. Do you remember any more -- do you 3 remember anything more about that conversation?	
5 A. She was going through her 10:32:08 6 assessment, if you will, preliminary assessment 7 of some of the purchase adjustments, I guess. 8 We were trying to get information on the 9 purchase adjustments for Graduate.		4 MR. RYAN: The one he had with Amy? 5 MR. JONES: Yes. 10:34:44	
10 That was an item that was an 10:32:22 11 important item for us and an item that had 12 been -- that we had been asking the client for 13 since probably May or June or -- and we were 14 just starting to get some information.		6 A. We talked about a variety of other 7 items. 8 Q. I'm sorry, let me give you a little 9 more focus.	
15 I guess through that initial 10:32:42 16 investigation, she became aware of this 50 17 million dollar reserve that had been created as 18 part of the Graduate purchase adjustments.		10 A. Okay. 10:34:54	
19 The intent to, I believe, based on 20 the document she showed me, to be transferred 10:33:02 21 to DV A/R, I believe, was that what the 22 document said, or something to that effect.		11 Q. Do you remember any more 12 discussions that you had about this reserve 13 transfer issue with Amy during this first 14 conversation?	
23 Q. She showed you a document?		15 A. No, no. 10:35:01	
24 A. There was a memo, I believe, from 25 an AHERF -- an AHERF memo and she was sort of 10:33:19		16 Q. Was your initial reaction that 17 these transfers were violations of GAAP or 18 would have violated GAAP?	
	Page 616	19 A. Well, my initial reaction was to 20 provide or to get additional information so I 10:35:21 21 could provide some sort of guidance to my staff 22 and reach a conclusion.	
1 using that memo to -- as a focal point in terms 2 of providing -- or performing her purchase 3 adjustment work, if you will. That's the 4 document that she showed me.		23 Q. But you just said you told Amy to 24 tell Dan that we wouldn't accept it. So your 25 initial reaction was that there was at least a 10:35:33	
5 Q. This was a memo from Mr. Cancelmi 10:33:35 6 dated roughly June of 1997?			
7 A. I can't remember what the date of 8 the memo was.		1 problem here?	
9 Q. Do you recall it was a memo from 10 Mr. Cancelmi? 10:33:46		2 A. Well, my initial reaction, as I 3 said, is that we would not accept the use of 4 those reserves in evaluating the Delaware 5 Valley accounts receivable. 10:35:45	
11 A. I think it was, yes.		6 Q. Do you believe that the entries or 7 the series of accounting transactions violated 8 GAAP today?	
12 Q. Did you -- did she tell you how she 13 came to have the memo in this first 14 conversation?		9 A. Oh, yes, yes.	
15 A. I don't remember. 10:33:59		10 Q. You believed it at the conclusion 10:35:58 11 of your '97 audit work, is that fair to say?	
16 Q. What did you say, if anything, in 17 response to her telling you this?		12 A. Yes, I believe that the transfers 13 in and of themselves were a departure from 14 GAAP.	
18 A. I basically told her that they 19 couldn't do that. I mean, just from a -- they 20 couldn't move a purchase transaction over and 21 use it for bad debt reserve at Delaware Valley.		15 Q. Did you ever tell anyone at AHERF 10:36:12 16 that you believed that they were a departure 17 from GAAP?	
22 Q. Did you give her any instructions 23 after telling her that?		18 A. Yes, we told people at AHERF.	
24 A. I told her to talk to Dan about it 25 and tell her -- tell him that we wouldn't 10:34:25		19 Q. Did you?	
		20 A. No. I mean, Amy had, my 10:36:25 21 understanding, numerous conversations with 22 Cancelmi. I'm not sure if anyone else was in 23 the room with them when they went through that 24 discussion. But it was -- they were well aware 25 that we would not accept the premise that they 10:36:42	

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1 could use those reserves to support the bad 2 debt reserves at the Delaware Valley.		1 partner, myself and Amy. 2 We were going to attempt to do that	
3 Q. They were well aware, if they were 4 well aware, from conversations with Amy as far 5 as you know? 10:36:58		3 over at the AHERF financial department, if you 4 will, while the staff was still trying to wrap 5 up some work. Unfortunately I guess another 6 client matter pulled Mr. Hoover away, couldn't 7 make that commitment, so Amy met with 8 Mr. Hoover at a later date.	10:39:36
6 A. Yes.		9 Q. Did you discuss the fact of these 10 50 million dollars of reserve transfers with 11 anyone else on the engagement team other than 12 Miss Frazier during the '97 audit work?	10:39:49
7 Q. Did you ever tell anyone at AHERF 8 that you were aware of the reserve transfers? 9 MR. RYAN: This one that we --	10:37:11	13 A. I simply can't -- I don't know. I 14 can't remember.	
10 MR. JONES: The 50 million dollars 11 that we've just been speaking of.		15 Q. Do you recall a meeting in early 16 April of 1997, within the first two weeks of 17 April of 1997, with Mr. McConnell and Mr. 18 Spargo at which the topic of potential 19 transfers of reserves established in connection 20 with the Graduate acquisition -- let me try 21 that question again.	10:40:32
12 A. I can't recall discussing it with 13 anyone else.		22 Do you recall being in a meeting 23 with Mr. McConnell and Mr. Spargo within the 24 first two weeks of April 1997 at which the 25 topic of reserve transfers of any kind from the	10:40:54
14 Q. Do you recall discussing with 15 anyone on the audit committee or any member of 16 the Board of Trustees at AHERF? 17 A. At what point in time?	10:37:17		
18 Q. Through June -- June of '98. 19 Let's make that May of '98 because 20 I see where you're thinking.	10:37:36		
21 A. Yes. Yes.			
22 Q. Did you ever discuss the fact that 23 the reserve transfers in the 50 million dollar 24 amount we've been discussing occurred with 25 anyone on the audit committee or the Board of	10:37:45		
	Page 620		Page 622
1 Trustees at AHERF before June of '98? 2 A. No. 3 During our audit committee meetings 4 in October of '97, for instance, I was aware of 5 the transfer. But by then I had completed 6 sufficient audit work and had concluded that 7 the transfers were not material and did not 8 warrant disclosure to the audit committee. 9 Q. Did you share your discovery from 10 Miss Frazier about these 50 million dollars of 11 reserve transfers with the concurring partner 12 on the engagement at any time during the '97 13 audit work?	10:38:03	1 Graduate hospitals to the Delaware Valley 2 Obligated Group hospitals was raised? 3 A. I do not recall such a meeting. 4 Q. Do you recall ever hearing from Mr. 5 Kirstein in April or May of 1997 that he had 6 been approached by any member of AHERF 7 financial -- AHERF financial's department or 8 AHERF management about such a proposal? 9 A. No, I don't remember talking to 10 Mark about that.	10:41:25
14 A. I did not. It's my understanding 15 that Amy discussed the purchase transactions 16 for Graduate, Forbes and Allegheny Valley with 17 the concurring partner and that that would have 18 been included in those discussions. 19 Q. How did you come to that 20 understanding? 10:39:10	10:38:52	11 Q. Do you ever recall discussing with 12 Mr. McConnell or Mr. Spargo at any time that 13 the Graduate acquisition afforded AHERF an 14 opportunity to remedy its bad debt reserve 15 issues in the Delaware Valley Obligated Group?	10:41:43
21 A. Just based on my discussions with 22 Amy. I mean, I -- what had happened is we had 23 a meeting set up where the three of us would 24 get together to go through a preliminary 25 review. The three of us being the concurring	10:39:23	16 A. No. 17 Q. Or words to that effect? 18 A. No. I had discussions with Mr. 19 McConnell at some point in time. I can't place 20 it in April. And I also had discussions with 21 Mr. Spargo and Cancelmi at a much earlier date 22 about the possibility of going through a 23 restructuring at Graduate so that once the 24 Graduate organization was merged into AHERF, 25 that it would be accretive to the operations of	10:42:11

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1 party to a conference call on that date with 2 these individuals at which the Graduate reserve 3 transfers, as we've described them, or a 4 proposal relating to the Graduate reserve 5 transfers were discussed?	10:54:29	1 Q. Mr. Buettner, this is Exhibit 4258. 2 It's a fairly short work paper with some 3 Metadata, at least as we understand it, from 4 the CLASS system attached to it. 5 Do you recall ever seeing this 6 document before today?	10:57:27
6 A. No, I don't.		7 A. No.	
7 Q. Do you recall discussing reserve 8 transfers of any kind with -- related to the 9 Graduate hospitals and the Delaware Valley 10 Obligated Group hospitals or a proposal to make 11 same with Mr. Cancelmi, Miss Frazier, or Mr. 12 Kirstein at any time in April of 1997?	10:54:47	8 Q. Do you see on the first page, the 9 line about a third of the way down that reads, 10 "How was the first 25 of the 50 million 11 distributed to the entities, or did this occur 12 in April?"	10:57:59
13 A. I have no memory at all of talking 14 to them about such a transaction. Would we 15 have met during that time period? It's very 16 possible. But I just can't remember ever 17 discussing this issue with them at that point 18 in time.	10:55:02	13 Do you see that?	
19 Q. Do you see just below the halfway 20 portion of the page where the note reads, "50 21 million dollars reserves at Graduate, will have 22 80 million C/O in DV by 6-30-97"?	10:55:26	14 A. Yes, I do.	
23 A. Yes, I see that.		15 Q. Do you recall any discussions with 16 anyone on the engagement team or anyone at 17 AHERF regarding distributing 50 million dollars 18 to various entities in any context before July 19 or late July, early August of 1997?	10:58:08
24 Q. Do you recall discussing anything 25 related to that topic with these people or any	10:55:44	20 A. No, I do not.	10:58:26
1 one of them in April of '97?	10:56:01	21 Q. Do you have an understanding or 22 have you learned from any source why the author 23 of this work paper or the authors would have 24 been writing about this in May of '97?	10:58:44
2 A. I just can't remember, no, I don't.		25 A. No, I haven't spoken to anyone	10:58:44
3 Q. Do you ever recall at any time 4 before late July or early August or early 5 August of 1997 connecting the establishment of 6 50 million dollars of reserves at the Graduate 7 hospitals with the 80 million charge-off you 8 knew to have occurred at the Delaware Valley 9 Obligated Group hospitals?	10:56:01	regarding this matter, so I have no idea.	Page 634
10 A. No, no. To this day I don't think 11 I've made a connection between the two, to be 12 honest with you.	10:56:15	----- (Thereupon, Deposition Exhibit 4475 was marked for purposes of identification.)	
13 Q. Do you see the next bullet point 14 there reads, "Placing reserves on Graduate 15 entities to be used for DV A slash R at Y slash 16 E or year-end"?	10:56:26	6 ----- 7 Q. Mr. Buettner, I'm handing you now 8 Exhibit 4475. I apologize, it slipped out of 9 my hand.	
17 A. Yes, I -- I can't read his scribble 18 very well, but I think that's a fair depiction 19 of what he's trying to put down.		10 A. That's okay.	10:59:32
20 Q. Do you recall discussing that topic 21 with Mr. Cancelmi, Mr. Buettner, Mr. Frazier -- 22 you're Mr. Buettner -- Mr. Cancelmi, Miss 23 Frazier or Mr. Kirstein at any time before late 24 July or early August of 1997?	10:56:47	11 Q. Is the handwriting on this AHERF 12 update meeting dated June 20, 1997 yours?	10:59:46
25 A. No, I don't.	10:56:59	13 A. Yes.	
		14 Q. Do you believe that you put the 15 handwriting on this document around that date, 16 that is, close in time to June 20, 1997?	11:00:02
		17 A. Yes.	
		18 Q. Thank you, sir.	
		19 Is this a format as we've seen 20 before that was typically used when the 21 engagement team got together and met as an 22 agenda?	
		23 A. Yes, the engagement team put 24 together information in terms of the overall status of the engagement and where we stood as	11:00:14

21 (Pages 631 to 634)

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1	of the end of preliminary and would prepare		1 organizations. I mean, I normally would refer
2	this outline, if you will, of items to discuss.		2 to things as to east and west, but sometimes I
3	Q. Do you know who was in attendance		3 would use the word Delaware Valley.
4	at this June 20, 1997 AHERF audit update		4 Q. You would use the word Delaware
5	meeting? 11:00:30		5 Valley or DV? 11:02:30
6	A. No, I do not.		6 A. Or the term Delaware Valley, I'm
7	Q. Do you know if it took place on		7 sorry.
8	that day?		8 Q. Yes, use the term Delaware Valley
9	A. No, I do not.		9 or the initials DV for the Delaware Valley
10	Q. Do you know if any member of AHERF	11:00:37	10 Obligated Group from time to time? 11:02:37
11	management or its finance department was in		11 A. Well, no. Delaware Valley would be
12	attendance?		12 a term for the east. It may or may not be
13	A. I am not certain. My best		13 Delaware Valley Obligated Group. It would be
14	recollection is that some folks would be		14 based on the conversation we're having and what
15	available from AHERF at this meeting, but I	11:00:51	15 specific items we would be talking about. 11:02:53
16	simply can't remember.		16 Q. Here we have the phrase typed next
17	Q. Do you see under the heading		17 to DV levels flat, "Impact of Graduate
18	Accounts Receivable and Revenue Items you have		18 Reserve."
19	written the words or abbreviations for the		19 Do you have any recollection of
20	words Pittsburgh or PGH? 11:01:02		20 what that -- what the discussions were on that 11:03:07
21	A. Yes.		21 topic during this meeting as you sit here
22	Q. Levels down, "Reserves appear		22 today?
23	adequate"?		23 A. You mean the typed comment on the
24	A. Yes.		24 left-hand side?
25	Q. Is that a reference to that the bad 11:01:09		25 Q. Yes. 11:03:16
		Page 636	
1	debt reserves in Pittsburgh or for		1 A. No, I don't.
2	Pittsburgh-based hospitals appeared adequate?		2 Q. Pardon the pause, Mr. Buettner, but
3	A. No, I don't think that would be		3 we're trying to make the day shorter.
4	reflective of only bad debt reserves. It would		4 MR. RYAN: We will not object to
5	be the reserves for receivables that would also	11:01:25	5 that. 11:04:20
6	include CRAs, contractuels, things of that		6 MR. STROUP: Stipulated.
7	nature.		7 Q. I'm handing you, Mr. Buettner, what
8	Q. Do you have a recollection of what		8 we marked as Exhibit 4438. Is this the
9	you meant by the phrase "DV levels flat"?		9 required communications letter from Coopers &
10	A. Well, DV would be the eastern part	11:01:37	10 Lybrand to the Board of Trustees at AHERF dated 11:04:45
11	of the operations. I guess someone told me		11 September 22nd, 1997?
12	that based on our assessment to date or what		12 A. Yes.
13	we've seen the A/R levels were flat.		13 Q. Does this letter bear the Coopers &
14	Q. Did you use DV for a short form for		14 Lybrand signature penned by you?
15	the Delaware Valley Obligated Group? 11:01:54		15 A. Yes. 11:05:01
16	MR. RYAN: You mean here in this		16 Q. Which I think you told us means
17	document?		17 that you read and approved it before it was
18	Q. Here and elsewhere during your work		18 sent?
19	on AHERF audits.		19 A. Yes.
20	MR. RYAN: Objection. 11:02:01		20 Q. Do you see under the heading 11:05:09
21	A. Well, I would use east versus west,		21 Significant Audit Adjustments and Disagreements
22	DV, AGH, DVOG.		22 With Management, which appears at the second
23	In my day-to-day observations or		23 page of the letter, do you see those topics?
24	communications with folks, I would not use the		24 A. Yes, yes.
25	formal name for a number of these 11:02:19		25 Q. Why is it today that you did not 11:05:25

22 (Pages 635 to 638)

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1	disclose the Graduate reserve transfers that	1	clear.
2	you became aware of in late July or early	2	Did you consider the 50 million
3	August 1997 to the board in this letter under	3	dollars of reserve transfers an error?
4	either of these headings?	4	A. I considered it a departure from
5	A. Well -- 11:05:45	5	GAAP which was immaterial to the -- to the 11:08:36
6	Q. Let me withdraw the question for a	6	consolidated financial statements of AHERF and
7	minute. Strike the today.	7	did not view the transfer as an error as
8	What I mean to ask is why is it	8	outlined within the statement and auditing
9	that you did not disclose to the board under	9	standards definitions, if you will.
10	either of these headings or in any other way 11:05:55	10	Q. It was a departure from GAAP but 11:08:55
11	the Graduate reserve transfers that you became	11	not an error in your view?
12	aware of in July, late July or early August of	12	A. A material error.
13	1997?	13	Q. Did you consider it fraud?
14	A. The disclosure requirements that	14	A. No.
15	are summarized, if you will, in this letter are 11:06:16	15	Q. Did you consider it illegal or an 11:09:09
16	presented in the auditing standards	16	illegal act?
17	publications for the AICPA.	17	A. No.
18	When you go through this process of	18	Q. Did you have a disagreement with
19	providing the board with specific information	19	management, in your view, over the propriety of
20	within the context of required communications 11:06:37	20	the application of an accounting principle to 11:09:23
21	with the audit committee, the items that you	21	the transaction, the transfers being the
22	made reference to, significant audit	22	transaction?
23	adjustments and disagreements with management,	23	MR. STROUP: I'm sorry, could you
24	relate to items that we would deem to be	24	repeat that question?
25	significant or material. 11:06:55	25	A. Yes, you've got to help me on the 11:09:32
		Page 640	Page 642
1	The 50 million dollar transfer, as	1	question.
2	I testified to a little earlier today, in my	2	Q. Let me help you by -- in this way.
3	opinion was not material. It had no impact on	3	I think I'll address Steve's issue as well.
4	the consolidated financial statements of AHERF,	4	I'm looking down with the
5	and this letter refers to our audit of the 11:07:23	5	disagreements with management -- to the 11:09:40
6	consolidated statements of AHERF. No impact on	6	disagreements with management portion of the
7	key parameters or measurements within the AHERF	7	letter.
8	system when you measure materiality. No impact	8	Are you with me?
9	on net unrestricted assets. No impact on	9	A. Yes.
10	working capital. No impact on total assets. 11:07:47	10	Q. It reads, "No disagreements with 11:09:49
11	I viewed the transfer as nothing	11	management arose during the audit with respect
12	more than a related party transaction that	12	to the application of accounting principles to
13	eliminated in consolidation.	13	specific transactions."
14	Q. You didn't -- let me try that one	14	Do you see that language?
15	again. 11:08:04	15	A. Yes. 11:10:00
16	A couple headings up there's a	16	Q. Did you believe that you had a
17	section called errors, fraud or illegal act.	17	disagreement with AHERF management about an
18	Did you consider the transfer an	18	application of an accounting principle to a
19	error, these 50 million dollars' worth of	19	specific transaction in light of the Graduate
20	transfers, an error, a fraud or an illegal act? 11:08:15	20	reserve transfers? 11:10:12
21	MR. RYAN: Objection, compound.	21	A. Yes, but, if I can complete my --
22	A. No.	22	Q. Yes.
23	Q. Did you consider it an error?	23	A. The disagreements with management
24	I apologize, sir, your counsel has	24	section here deals with material items. Every
25	made an objection, so I'm trying to make it 11:08:28	25	item that we would list on our SUD, if you 11:10:29

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<p style="text-align: right;">Page 667</p> <p>1 of fairness so that you know at least what 2 little bit I know about the document. 3 It has to do with the City Avenue 4 Hospital. 5 Do you know in which Obligated 11:56:34 6 Group the City Avenue Hospital existed at AHERF 7 in fiscal year 1997? 8 A. No, I would have to go back and 9 look at my notes to give you a definite answer. 10 I simply can't remember. 11:56:49 11 Q. Let me ask you to assume that it 12 was a Graduate hospital, one of the Graduate 13 hospitals as we've defined them. 14 A. That's fine. 15 Q. I think another word for those 11:57:04 16 hospitals that some people have used at AHERF 17 and in other places was the Centennial 18 Obligated Group. Do you remember that -- 19 A. Yes. 20 Q. -- that term Centennial being used 11:57:14 21 to refer to the former Graduate hospitals? 22 MR. RYAN: Objection. 23 A. For a certain group of the Graduate 24 hospitals, yes. 25 Q. Yes. 11:57:22</p>	<p style="text-align: right;">Page 669</p> <p>1 Q. You know, I've read that a few 2 times and I just see it now. Thank you. 3 Would you now look at the next 4 exhibit that I gave you, which I believe is 5 4123; is that right? 11:58:39 6 A. Okay. 7 Q. This, again, is a working paper 8 from the '97 audit relating to City Avenue, at 9 least by its header, is that right? 10 A. Yes. 11:58:49 11 Q. Now I would like you to look at the 12 second page of the document. Do you see under 13 Purchase Price Adjustments the document now 14 reads, "Additional bad debt reserve, 8 million 15 dollars"? 11:59:00 16 A. Yes. 17 Q. And that there may be other 18 changes, but at least that the document has 19 changed in one way, and that is the phrase for 20 DV A slash R has been removed? 11:59:15 21 A. Okay. 22 Q. Between the two exhibits? 23 A. Okay. 24 Q. Do you see that? 25 A. Yes, I do. 11:59:22</p>
<p style="text-align: right;">Page 668</p> <p>1 Which -- there was a hospital that 2 was in New Jersey that was not a part of the 3 Centennial Obligated Group? 4 A. I'm not sure if -- Rancocas was in 5 New Jersey. I'm not certain if it was a part 11:57:32 6 of the Obligated Group or not part of the 7 Obligated Group. 8 Q. Let me ask you to assume with me 9 that the City Avenue Hospital was at least one 10 of the former Graduate hospitals. 11:57:41 11 I'm going to ask you to look at the 12 second page of the document briefly. 13 Do you see there that someone has 14 typed into the work paper under Purchase Price 15 Adjustments as a header the phrase, "Additional 11:57:59 16 bad debt reserve for DV A slash R, 8 million 17 dollars," or 8 comma, 000, at least on this 18 document. Do you see that? 19 A. Yes, I do. 20 Q. The phrase, again, is additional 11:58:16 21 bad debt reserve for DV A slash R, is that 22 right? 23 A. Well, additional is misspelled, but 24 I think that's the point they're trying to 25 make. 11:58:28</p>	<p style="text-align: right;">Page 670</p> <p>1 Q. In fact, the spelling error carried 2 over, didn't it, into the second document? 3 A. Yes, it did. 4 Q. Sir, the first document, 4124, is 5 apparently dated as last modified August 13, 11:59:36 6 1997 by Mr. Carrabba. Is that accurate? 7 A. That's what this document 8 indicates, yes. 9 Q. And then this second document from 10 which the phrase for DV A/R has been erased 11:59:52 11 reads that it was last modified by Miss Porter 12 on 9-10-97, is that right? 13 A. Well, yes, it indicates that it was 14 completed by Tony Carrabba on 8-21-97 and last 15 modified by Christa on 9-10. 12:00:21 16 Q. Thank you. 17 A. So both of them apparently did 18 something to this document during that period 19 of time. 20 Q. Thank you. 12:00:29 21 Mr. Buettner, did you ever learn 22 that anyone on your engagement team had been 23 instructed to remove the language "for DV A/R" 24 from this work paper at any point in time? 25 A. No. 12:00:42</p>

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1 Q. Did you ever yourself, sir, ask 2 anyone to remove this phrase from this work 3 paper?		1 diligence work would have been limited to 2 review of the documents prepared by the 3 engagement team, Mr. Elek's engagement team. 4 I don't remember reaching that 5 conclusion at all, and I did not perform 6 detailed steps in the due diligence area.
5 Q. Do you recall at any time during 12:00:48 6 1997 ever learning that anyone on your 7 engagement team had removed language from work 8 papers that might have revealed knowledge of 9 the transfer of reserves -- the transfer of 10 reserves from the Graduate hospitals or the 12:01:03 11 former Graduate hospitals to the DVOG 12 hospitals?		7 Q. Mr. Buettner, I'm going to hand you 8 now what was marked in an earlier deposition, 9 which is a large set of documents, but I really 10 only have a question about a few of them. It 12:04:16 11 is Exhibit 4248. If you could maybe take the 12 rubber band off of the document and put it to 13 the side, I'll try to work quickly through the 14 document before we break for lunch with you.
13 A. No, that transfer was documented in 14 numerous places within the work papers.		15 I will tell you, sir, that I 12:04:39 16 understand these to be a collection of accounts 17 receivable related work papers for the '97 18 audit from the files of Coopers & Lybrand. I 19 would like you to turn first with me to page 20 PwC 10307. It's toward the back of the 12:04:53 21 document, I'm led to believe. I have confirmed 22 that it is.
15 Q. Did you ever learn that anyone on 12:01:13 16 your engagement team had removed language to 17 hide the timing of knowledge of those reserve 18 transfers?		23 Are you with me?
19 A. No.		24 A. Yes.
20 Q. Did you ever learn that anyone gave 12:01:24 21 such an instruction?		25 Q. This is a work paper regarding the 12:05:20
22 A. No.		
23 Q. I take it that you never did, sir?		
24 A. No, I did not.		
25 Q. I'm handing you, Mr. Buettner, a 12:01:46		
	Page 672	Page 674
1 memo from Miss Frazier to Mr. Elek dated 2 November 12, 1996 and marked as Exhibit 4440. 3 Have you seen this document before 4 today?		1 Parkview Hospital, is that right? 2 MR. RYAN: I'm sorry, I'm not sure 3 the witness is ready.
5 A. I do not recall seeing this 12:02:07 6 document before, no, sir.		4 Q. 10307? 5 A. I'm sorry, 103 has several -- 12:05:28 6 please bear with me. 306.A, B, C, D -- we've 7 gone through the entire alphabet, folks.
7 Q. You do recall Mr. Elek being 8 involved with you in AHERF due diligence work 9 in connection with the Graduate hospitals?		8 MR. RYAN: It's after L. 9 MR. JONES: I should have described 10 it that way, the page after 306L. 12:05:52
10 A. Yes, as I testified yesterday, 12:02:21 11 Mr. Elek was the partner on the Graduate due 12 diligence. I was the, I guess, the concurring 13 partner.		11 Q. Are you with me? 12 A. Yes, I am.
14 Q. Do you recall Mr. Elek or yourself 15 ever coming to the conclusion, during the due 12:02:33 16 diligence work on the Graduate hospitals, that 17 the Graduate hospitals had a need for 18 additional accounts receivable related 19 reserves?		13 Q. This should be a face page that 14 says Parkview bad debt reserves at 6-30-97? 15 A. Yes. 12:06:02
20 A. I don't recall a discussion with 12:02:50 21 Mr. Elek regarding that.		16 Q. I ask you to turn to the very next 17 page, sir, which has a schedule regarding A/R 18 reserves for the Parkview Hospital?
22 Q. Do you recall concluding that 23 yourself during your Graduate due diligence 24 work?		19 A. Okay.
25 A. My review of the Graduate due 12:03:07		20 Q. Do you see that? 12:06:13
		21 A. Yes.
		22 Q. Do you see towards the bottom or 23 the mid portion, rather, of the page that this 24 hospital, a member of the former Graduate hospitals, has a note in the work paper that 12:06:24

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1 Q. The sums here are 35.2 million		1 there meant to convey?
2 dollars for 1997?		2 A. That's the 50 million dollars of
3 A. Yes.		3 transfers that we've been talking about for the
4 Q. And 63.8 million dollars for 1996?	13:29:02	4 last hour or so.
5 A. Yes.		5 Q. Then you've summed the three
6 Q. So the reserve is significantly		6 reserve figures, 35.2, 40 and 50 to come up
7 smaller in '97 as you have calculated it?		7 with 125.2?
8 A. Yes.		8 A. 125.2, yes, sir.
9 Q. The next -- do you know where you		9 Q. Then what does that 125.2 then
10 got that number? 13:29:12		10 reflect other than the sum I just indicated it
11 A. Which number, sir?		11 reflects?
12 Q. The 35.2 million dollar number.		12 A. What I was trying to do is
13 A. That's the result of subtracting		13 determine if I had all of the key elements, if
14 the 95 million of charge-offs from the 130.2		14 you will, of the reserve number reflected on
15 million dollars mentioned above, which was the	13:29:27	15 the June 30th, 1997 AHERF consolidated balance
16 combination of the beginning reserve plus		16 sheet. And that number is right below, 127.4.
17 expense for the year.		17 So I was trying to determine the
18 Q. Skipping back up to the top of the		18 makeup of the 127.4 without going back and just
19 schedule for a moment, the '97 reserve figure		19 looking at the client's trial balance or
20 that we started at, or started off with for old	13:29:40	20 general ledger so that if I had a question, for
21 AHERF, the 63.8 million dollars, what was that		21 instance, at the audit committee, I could
22 derived from, as a source, if you know?		22 explain what the makeup of the 127.4 was in
23 A. It probably came from the June		23 global terms that an audit committee member,
24 30th, 1996 financial statements of AHERF.		24 for instance, would be interested in hearing
25 Q. The acquired reserve row, which is	13:29:58	25 and not by entity or things of that nature.
		13:31:01 13:31:20 13:31:31 13:31:53 13:32:08
	Page 700	Page 702
1 about halfway down the page, do you see that?		1 Q. Then you've got a section of the
2 A. Yes.		2 schedule towards the bottom of the page headed
3 Q. The 40 million dollars that appears		3 makeup.
4 to have been placed there originally, what was		4 A. Yes.
5 that meant to reflect? 13:30:10		5 Q. Do you see that?
6 A. The bad debt reserve for the		6 A. Yes.
7 acquired entities, Forbes, Allegheny Valley and		7 Q. What were you doing in the makeup
8 Graduate.		8 section of the schedule?
9 Q. It has a line through it?		9 A. What I was attempting to do is
10 A. Yes. 13:30:20		10 evaluate, was evaluate what, absent the 50
11 Q. Why is that, if you know today?		11 million dollar transfer, what number I would
12 A. Because at some point in time after		12 expect to see on the caption Allowance for
13 I did the original computation, I learned that		13 Uncollectibility Accounts.
14 it was really 41.5.		14 Q. For what enterprise or set of
15 Q. You added the 41.5 next to the 40	13:30:30	15 enterprises?
16 at some subsequent time? 13:30:30		16 A. For AHERF, consolidated AHERF for
17 A. Yes.		17 June 30, 1997.
18 Q. Do you know when in time you added		18 Q. You've written beneath makeup the
19 it? 13:30:39		19 words, "Acquired Forbes"?
20 A. September, October of '97. I can't		20 A. Yes.
21 tell you specifically.		21 Q. "2.9"?
22 Q. Then the next row reads,		22 A. Yes.
23 "Graduate." You have 50 million dollars there.		23 Q. What does that reflect?
24 A. Yes.		24 A. My understanding, that was a bad
25 Q. What is the 50 million dollars	13:30:51	25 debt reserve for Forbes as of June 30, 1997.
		13:32:18 13:32:30 13:32:43 13:32:55 13:33:01

38 (Pages 699 to 702)

William F. Buettner

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	Page 703	Page 705
1 Q. Where did you get that figure?		
2 A. Amy Frazier would have given me		
3 that number.		
4 Q. The next row reads, "AVH 1.1."	13:33:13	
5 What does that reflect?		
6 A. The same descriptor as with Forbes,		
7 the bad debt reserve for AVH as of June 30,		
8 1997.		
9 Q. Again, Amy was the source?		
10 A. Yes.	13:33:24	
11 Q. And then it says, "Grad 36		
12 million"?		
13 A. Yes.		
14 Q. What does that figure represent?		
15 A. The same as the other two, that's	13:33:30	
16 the bad debt reserve for Graduate as of June		
17 30th, 1997.		
18 Q. The source is the same?		
19 A. Yes.		
20 Q. You have summed them to roughly 40	13:33:38	
21 million dollars?		
22 A. Yes.		
23 Q. That's the next row?		
24 A. Yes.		
25 Q. Beneath that you have written the	13:33:44	
	Page 704	Page 706
1 words, "Old AHERF dash G slash L," and the		
2 number "35.2." What does that entry mean?		
3 A. Well, that's the 35 million dollars		
4 that I calculated above.		
5 Q. It's a bring-down, if you will?	13:34:00	
6 A. Yes, yes. I've never heard that		
7 term, but, yes, I would agree with that.		
8 Q. I may have just coined it.		
9 MR. RYAN: I like it.		
10 A. By the way, the 40 is a bring-down,	13:34:10	
11 if you will, from up above.		
12 Q. I guess it is. Thank you.		
13 The row next or just below old		
14 AHERF G slash L reads, "Other reserves, 22.5."		
15 What does that reflect?	13:34:25	
16 A. That's a number that I calculated		
17 based on discussions with Amy. I believe the		
18 detail of that would sit on the next page,		
19 which is Bates 36439.		
20 Q. Which part of the next page is the	13:34:42	
21 detail found -- on which part of the next page		
22 is the detail found?		
23 A. About halfway -- a little more than		
24 halfway down the page you'll see a caption		
25 called Bad Debt and then -- do you see that?	13:34:53	
1 Q. Yes, I do.		
2 A. Right below that there are three --		
3 three lines, then a subtotal, then a fourth		
4 line.		
5 Q. Yes.	13:35:03	
6 A. So it's a combination of the excess		
7 CRA of ten, excess C/A of 9.8, legal reserves,		
8 1.7, and SCHC collection of one. I believe if		
9 you add those up, you'll come close to 22.503.		
10 Q. You received these figures that	13:35:29	
11 you've just read to us as excess CRAs -- excess		
12 C/A's --		
13 A. Yes.		
14 Q. -- legal reserves and SCHC		
15 collection figures from Miss Frazier?	13:35:41	
16 A. Yes, for the most part, yes.		
17 Q. Do you recall receiving that		
18 information from any other source?		
19 A. The legal reserve I may have gotten		
20 off of the general ledger when I was doing my	13:35:53	
21 review out in the field. I can't remember if		
22 Amy gave me that or if I had that from other		
23 notes.		
24 Q. Do you recall any communications		
25 with Miss Frazier about why she believed that	13:36:02	
1 any of these CRAs or C/A amounts were excess?		
2 A. It was based on our assessment,		
3 apparently, of the review that we had performed		
4 in that area.		
5 As we have discussed over the last	13:36:22	
6 couple of days, it wasn't unusual for the		
7 organization to have reserves sitting in the		
8 receivable area for contractuals or CRAs that		
9 at some point in time they no longer needed.		
10 When I met with her during the	13:36:40	
11 year-end phase of our engagement, she informed		
12 me of the existence of these accounts or these		
13 amounts.		
14 Q. Did she tell you why she thought		
15 they were excess?	13:36:51	
16 A. We may have had some general		
17 discussion about it, but I don't recall right		
18 now.		
19 Q. Next to the line excess CRA and the		
20 10 million dollar figure that appears next to	13:37:02	
21 it, you've got DVOG in parentheses with a		
22 question mark. Am I right?		
23 A. Well, I have DVOG. I'm not sure if		
24 that's a question mark or not, but --		
25 Q. Do you know what you meant to	13:37:15	

39 (Pages 703 to 706)

William F. Buettner

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	Page 707		Page 709
1	convey by DVOG and whatever mark appears next		1 50 million dollars. I came up with roughly 98
2	to it?		2 million.
3	A. Well, my understanding is that the		3 Then I sat down and I said, okay,
4	majority of the CRA -- the excess CRA sat in	13:37:26	4 what other items of import relate to some sort
5	the Delaware Valley and the amount -- that		5 of either patient receivable or CRA or other
6	there was a nominal amount at AGH.		6 third-party issues. 13:40:09
7	Q. Beneath that parenthetical there's		7 You can see that there were three
8	another parenthetical on the same row as the		8 items listed there which got me to 130 million.
9	phrase, "Excess C slash A, 9.8 million." Am I		9 I'm sitting here saying it's in the ballpark,
10	right? 13:37:44		10 so I would not necessarily have a problem with
11	A. Yes.		11 the number 127 being presented on the balance
12	Q. C slash A to you means contractual		12 sheet. 13:40:28
13	allowance?		13 Q. The reserves listed below 97.7 have
14	A. Yes.		14 these descriptors, am I right, "Graduate,
15	Q. What does it mean -- what did you	13:37:53	15 deferred rev"? 13:40:46
16	mean when you wrote .8 million dollars AGH and		16 A. Yes.
17	9 million dollars DVOG in that parenthetical?		17 Q. "14 million dollars"?
18	A. That was my understanding as the		18 A. Yes.
19	source of those two -- of the 9.8. 800,000		19 Q. Then you've written in the
20	came from AGH. 9.0 came from the Delaware	13:38:13	20 corner -- or next to that, rather, in 13:40:49
21	Valley.		21 parentheses, "QualMed dash DMC, close paren"?
22	Q. This was an understanding derived		22 A. Yes.
23	from a conversation with Miss Frazier?		23 Q. What does that mean, that row?
24	A. Yes, an earlier conversation during		24 A. Well, the deferred revenue on
25	the course of the audit. 13:38:24		25 Graduate related to a QualMed contract. The 13:41:06
		Page 708	Page 710
1	Q. Let me ask you now to flip back		1 client decided to write the deferred revenue
2	with me to the prior page, which ends in the		2 off into income. We disagreed with that
3	Bates digits 438.		3 treatment. We believed that it belonged on the
4	How, again, did you derive the 97.7		4 balance sheet.
5	million dollar figure which appears just below	13:38:43	5 I believe my staff placed that 14 13:41:23
6	the figure for other reserves that we've been		6 million on the SUD for evaluation as a
7	discussing of 22.5 million dollars?		7 misapplication or a misstatement, if you will.
8	A. You're asking on the 97.7 million?		8 And the deferred revenue, other people were
9	Q. Yes, how is that figure arrived at?		9 calling it QualMed within the organization, so
10	A. That's the summation of the 40, the	13:38:56	10 I just wrote that down and I wanted to remind 13:41:45
11	75 and the 22.		11 myself that this is something I wanted to talk
12	Q. The 40, the 75 and the 22?		12 to McConnell about.
13	A. I'm sorry, I'm adding it as I'm		13 Q. Did you?
14	going. The 40 -- the 35 and the 22.		14 A. Yes, I had a brief conversation. I
15	Q. What import did that figure have	13:39:18	15 can't say it lasted more than 15 seconds, 13:41:55
16	for you, if any, at the time?		16 though, to be honest with you.
17	A. Well, the number on the financial		17 Q. What did you -- what was said in
18	statements that the client had prepared was 127		18 those very few seconds?
19	million, the number for allowance for		19 A. That basically the QualMed deferred
20	uncollectible accounts. 13:39:33		20 revenue was written off and we didn't think it 13:42:08
21	As part of my assessment, I wanted		21 should be written off.
22	to evaluate if that number should change. So I		22 Q. What did he say, if anything?
23	went ahead and went through my own evaluation		23 A. I think I also told him we put it
24	or assessment as to exactly what was, in my		24 on our SUD and he said fine.
25	opinion, sitting in bad debt reserve absent the	13:39:54	25 Q. What do you recall about why you, 13:42:21

40 (Pages 707 to 710)

William F. Buettner

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		Page 723		Page 725
1	Q. A hando, perhaps?		1	Exhibit 4473?
2	A. Yes.		2	A. Yes, I think I've testified to
3	Q. What is the formula reserve figure,		3	that, yes.
4	where did you derive it from?		4	Q. It was the same day?
5	A. As I indicated, when I was out in	13:55:36	5	A. It was not the same day. 13:58:01
6	the field in late August with the engagement		6	Q. All right, thank you, go ahead.
7	team, I wanted to go through my own assessment		7	How far in advance?
8	of the reserve needs for what I considered to		8	A. It could have been three weeks to a
9	be old AHERF and also so that I could		9	month.
10	understand the impact that the client actions	13:55:49	10	So I told Amy that I had reached a 13:58:14
11	had on -- numerous client actions and		11	conclusion that the reserves for old AHERF
12	receivables on the agings and things of that		12	based on my assessment, the reserves were
13	nature.		13	adequate, and that the 50 million dollar issue
14	So basically I sat down in the		14	was really a transfer of reserve issue problem
15	cubicle and I guess similar to 1997, although	13:56:01	15	and not an issue of reserve and adequacy at old 13:58:32
16	not as bad, I had them provide me with		16	AHERF, if you will, or something that could
17	information similar to what Brian had provided		17	impact the income statement.
18	me in '96.		18	And I took -- I had the underlying
19	I went through my own review of the		19	information, my notes, if you will, in my
20	old AHERF aging and basically put together a	13:56:17	20	folder, AHERF folder. And when it came time 13:58:52
21	consolidated aging schedule on a sheet of paper		21	for me to prepare for the audit committee
22	similar to the tablet you're writing on right		22	meeting and collect vital information or
23	now, Mr. Jones.		23	information I felt was vital in case of
24	Q. All right.		24	questions from the audit committee, I took that
25	A. Broke it out by	13:56:36	25	information, sat down and attempted to 13:59:05
		Page 724		Page 726
1	inpatient/outpatient. Went through age		1	summarize it. I summarized it basically on
2	buckets, 0 to 30, 30 to 60, similar to what you		2	this sheet of paper that you see here.
3	would see on an aging schedule.		3	Q. Which is page 439?
4	Then went through a calculation of		4	A. 439.
5	what I felt the reserve requirements would be	13:56:50	5	So the formula reserve is really 13:59:15
6	by basically using what I would call AGH loss		6	one number that is -- that would summarize
7	percentages or percentages that AGH had used in		7	probably five, six, seven detailed pages of
8	their methodology in previous years or averages		8	work that I had done in terms of just looking
9	if those percentages were detailed -- so		9	at aging schedules and things of that nature.
10	detailed because I didn't have the level of	13:57:08	10	Q. Do you have those sheets or pages 13:59:33
11	detail that the AGH method had. And I came up		11	anymore, sir?
12	with a number. And that number, I believe, was		12	A. No, I do not.
13	77, but it could have been 79. I can't		13	Q. Do you know whether they have ever
14	remember. So I had these sheets. I held on to		14	been made available to either my law firm or
15	those sheets. At the end -- and went through	13:57:24	15	the SEC? 13:59:44
16	this type of exercise out in the field with the		16	MR. RYAN: Objection.
17	staff on 439.		17	A. No. I know they have not because
18	As I left that day, I told Amy that		18	I, quite frankly, I pitched them once I
19	I was comfortable with the level of bad debt		19	prepared this schedule. I felt that I never
20	reserve that existed at old AHERF.	13:57:46	20	had a need for them. 13:59:53
21	Q. When you left what day, sir?		21	Q. Let me ask you to tell me, if I'm
22	A. The day I performed this formula		22	right, in the way that I read the next row on
23	review, if you will, on my own.		23	this schedule. It says, "IBC slash Oxford."
24	Q. Which wasn't the same day as you		24	Then I can't read the next word.
25	prepared this schedule marked as a part of	13:57:54	25	A. "HMO." 14:00:09

44 (Pages 723 to 726)

William F. Buettner

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		Page 727		Page 729
1	Q. Then beneath that, "cash flow"?		1	took a look at the aging, if you will,
2	A. Yes.		2	schedules that I had put together, tried to
3	Q. And then the figure 9.0 million		3	pull out Independence, Blue Cross and Oxford.
4	dollars in brackets?		4	And based on the agings that I had seen, a lot
5	A. Yes. 14:00:18		5	of receivables were being reserved at 75
6	Q. What does that entry refer to?		6	percent. 14:02:53
7	A. Well, based on my discussions with		7	So I basically said, well, if
8	AHERF management, specifically McConnell, I		8	they're going to go through this global
9	guess, I had heard comments periodically that		9	settlement and we know that they're slow in
10	both IBC, Independence Blue Cross, as well as	14:00:36	10	terms of their overall pay, reserving them at
11	Oxford Health, which is an HMO, were being		11	75 percent really doesn't make sense, in my
12	difficult in terms of reimbursement of AHERF		12	formula, so I'm going to reduce that to 30
13	claims in the eastern portion of the state and		13	percent. And that's the impact of that change
14	that it was his sense that they were using		14	in loss reserve, if you will, is the 9 million
15	AHERF as a means of improving their own cash	14:00:58	15	dollars. 14:03:18
16	flow, simply slowing down payment.		16	Q. That's reflected, at least in part,
17	Q. Did you -- I'm sorry, did you hear		17	on the same row where you've written 30 percent
18	this from any other source besides Mr.		18	versus 75 percent?
19	McConnell?		19	A. Yes. Yes.
20	A. Well, that's what I was going to	14:01:09	20	Q. The next row is unapplied -- do
21	get to.		21	these conversations with Mr. McConnell and
22	Q. Okay. Then go ahead.		22	Mr. Schively all predate your writing these
23	A. So what I did at some point during		23	notes on page 439?
24	the later phases of the '97 audit, I remember		24	A. Yes.
25	running into a healthcare partner in the	14:01:22	25	The conversations with McConnell on
				14:03:41
		Page 728		Page 730
1	Philadelphia office by the name of Glenn		1	the Oxford Health would be both before and
2	Schively. And I asked Mr. Schively if he had		2	after my preparation of this document.
3	heard any stories about either Independence		3	Q. All right.
4	Blue Cross or Oxford being very slow to pay in		4	A. Because I believe that topic also
5	terms of patient claims with healthcare	14:01:38	5	came up at the October audit committee meeting. 14:03:53
6	providers. He told me that he had, that it was		6	Q. On unapplied cash, you have a
7	apparently a comment that a number of his -- a		7	figure of 1.9 million dollars in brackets and a
8	number of his Philadelphia clients had.		8	parenthetical next to it of 3.8 million at 50
9	Mr. McConnell also told me at		9	percent?
10	another meeting that AHERF management was	14:01:51	10	A. Yes. 14:04:07
11	considering some sort of global settlement, if		11	Q. What does that entry mean?
12	they could reach one, with either Oxford or		12	A. The unapplied cash that existed
13	Independence Blue Cross. I believe his		13	within the old AHERF system at the end of 1997
14	comments were geared more towards Oxford than		14	was about 3.8 million dollars. So I simply
15	IBC, but that's my recollection today.	14:02:09	15	provided -- took a 50 percent factor and said
16	Basically that they were going to		16	14:04:22
17	go to the third-party payors and say, look, you		17	that some portion of this unapplied cash
18	owe us a certain sum of money. We're running		18	relates to receivables that I'm establishing a
19	into a lot of problems with detailed claims.		19	reserve on and those receivables have already
20	Why don't we try to negotiate some sort of	14:02:23	20	been paid, so it's inappropriate to establish a
21	overall settlement on those detailed claims to		21	reserve on paid receivables. 14:04:37
22	arrive at an amount that we could be paid and		22	So I reduced my reserve projection
23	basically we would provide some sort of		23	or requirement by 1.9 million dollars.
24	discount.		24	Q. So the 9 million and the 1.9
25	So based on that information, I	14:02:35	25	million both act to reduce the reserve
				14:04:51

45 (Pages 727 to 730)

William F. Buettner

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	Page 731	Page 733
1 A. Yes.		1 A. Yes.
2 Q. That left you with the next row,		2 Q. Then it says, "To be collected
3 which reads, "Needed, 66.2 million dollars"?		3 SEPT"?
4 A. Yes.		4 A. Yes.
5 Q. That's just a mathematical	14:04:58	5 Q. What does that mean? 14:06:36
6 difference?		6 A. To be collected dash September. I
7 A. Correct.		7 don't know exactly why I wrote that there, but
8 Q. We've talked about the middle		8 it's there.
9 portion of the page, I believe, a few moments		9 Q. Did you ever come to learn that you
10 ago. Am I right? 14:05:08		10 made a mistake by listing the 58 million dollar 14:06:47
11 A. Yes.		11 reserve there where it is listed on the page?
12 Q. The bottom portion of the page is		12 A. The calculation is wrong. It's a
13 another schedule that starts with the line --		13 mistake.
14 or the row, rather, "Old slash A slash R, 239.1		14 Q. Why is it?
15 million dollars." Is that right? 14:05:27		15 A. Well, the old AHERF number of 239 14:07:02
16 A. Correct.		16 is net of the bad debt reserve, so I'm
17 Q. That's a bring-down from the top of		17 basically taking a reserve out twice. So it's
18 the page as we've defined it today?		18 just wrong.
19 A. Yes.		19 Q. What should be the figure that you
20 Q. Then it says, "Collections, 150.8 14:05:31		20 arrive at, the accurate figure? 14:07:15
21 million."		21 A. It would be closer to 90 million
22 A. Yes.		22 dollars. Or somewhere around there. I'm
23 Q. What does that line represent?		23 just --
24 A. Subsequent collections as of a		24 Q. What --
25 specific date that the staff -- the staff had 14:05:41		25 A. I'm just estimating. But somewhere 14:07:24
1 given me a number.	Page 732	Page 734
2 Q. The staff person here is Miss		1 around 90 million.
3 Frazier?		2 Q. What does that 90 million then
4 A. It probably was Amy. I can't		3 represent?
5 remember exactly. 14:05:48		4 A. That would be the amount of
6 Q. So that leaves you with a		5 receivables not yet collected and not reserved 14:07:33
7 difference there of 88.3 million dollars, which		6 for.
8 is the next figure?		7 Q. On the right-hand part of the page
9 A. Yes.		8 you've written the word -- well, let me ask you
10 Q. And then you've got a reserve item 14:05:56		9 what word that is that starts just to the left
11 of 58.0 million dollars, which appears just		10 of the figure 8.5 million dollars. What is 14:08:26
12 below the 88.3 million?		11 that word?
13 A. Yes.		12 A. A difference.
14 Q. What does that -- what is that		13 Q. What is that difference, the 8.5
15 intended to reflect? 14:06:07		14 million dollars? What does that represent?
16 A. That's my assessment of the		15 A. Principally the difference between 14:08:36
17 reserves for bad debt, reserves sitting on the		16 the 66.2 and the 57.7.
18 balance sheet designated for bad debt. And the		17 Q. The 57.7 is reflective of what
19 makeup of that is right above. It's the 57.7		18 again?
20 that we had talked about earlier. 14:06:23		19 A. My assessment of the reserves
21 Q. Which enterprises is that reserve		20 available in old AHERF for bad debts as of June 14:08:49
22 drawn from?		21 30th, 1997.
23 A. Old AHERF.		22 Q. And you've written the word -- the
24 Q. Then you've got a net of 30.3		23 two letters OK next to that?
25 million dollars? 14:06:29		24 A. Yes.
		25 Q. Do you know what you meant to 14:08:58

46 (Pages 731 to 734)

DEPOSITION ERRATA SHEET

RE: THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION VS.
PRICEWATERHOUSECOOPERS, L.L.P.

I, William F. Buettner, wish to make the following amendments, additions, deletions or corrections to my deposition(s) given on the days of June 22nd, June 23rd and June 24th, 2004, for the following reasons. I have signed my name to the errata sheet and authorize you to attach it to the original transcript.

June 22, 2004

<u>Page/Line#</u>	<u>Amendment</u>	<u>Reason for Amendment</u>
30: 4, 6	“Janet” should be “Jeannette”	Error
50:8	“error” should be “area”	Error
58:8	“financial” should be “executive”	Error
145:6	“access” should be “assess”	Error
145:13	“to” should be the “the”	Error
176:3	“be considered” should be “consider”	Error
176:5	“for” should be “from”	Error
190:2	“influenced” should be “influence”	Error
191:23, 24	“Envision” should be “Invision”	Error
264:15	“increase” should be “decrease”	Clarification

June 23, 2004

323:7	“?” should be “.”	Error
345:4	“Mr. Ryan” should be “Mr. Jones”	Error
349:12	“Allegheny” should be “Delaware”	Clarification
370:18	“a discounting” should be “this accounting”	Error
397:24	“measurability” should be “materiality”	Error

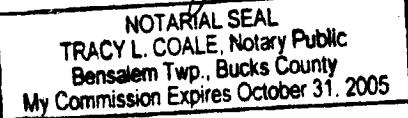
463:25	“imply” should be “apply”	Error
464:18	“Greg Guy” should be “bright guy”	Error
472:12 & 24	“Lyden” should be “Lydon”	Error
484:22	“15.5” should be “13.5”	Error
539:18	“Called” should be “Call”	Error
<u>June 24, 2004</u>		
658:19	“ADP” should be “EDP”	Error
659:7	“ADP” should be “EDP”	Error
717: 13	Should read “charge-offs, or bad debt expense”	Clarification
718:15-16	Should read “It’s the total bad debt expense of consolidated AHERF for fiscal years 1996 and 1997.” (See my January 17, 2003, deposition before the SEC, pg. 61.)	Clarification
723:15	“1997” should be “1996”	Clarification
728:2	“Schively” should be “Shively”	Error
745:21	“it” should be “I”	Error
748:5	Should read “draft audited financial statements”	Clarification
794:21	“?” should be “.”	Clarification
812:7	“Gumberd” should be “Gumberg”	Error
831: 10	“Marty” should be “Marne”	Error

In all other respects, the transcript is true and correct.

Wm F. Buttler
Signature

Subscribed and sworn to before this 27th day of July, 2004.

Tracy L. Coale
Notary Public



Cahouet Dep.

In The Matter Of:

**AHERF v.
PRICEWATERHOUSECOOPERS, L.L.P.**

FRANK V. CAHOUET

March 5, 2004

LEGALINK MANHATTAN

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New York, NY 10170

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CAHOUET, FRANK V.



FRANK V. CAHOUET

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- 1 A. I'm trying to be specific. I can't say that I
2 specifically knew that they had a strategy of
3 acquiring physician practices.
4 Q. Do you recall anyone saying that AGH would get
5 more patients because AHERF was acquiring
6 physician practices and the physicians would
7 then refer more patients to AGH?
8 A. I understand the concept, but I don't recall
9 any specific conversations like that, no.
10 Q. Do you recall prior to January 5th, 1998, AHERF
11 having a plan to enter into something called
12 risk contracts?

13 - - -
14 (There was a discussion off the record.)
15 - - -

16 THE WITNESS: Risk contracts?

17 BY MR. FRIESEN:

- 18 Q. Right.
19 A. No.
20 Q. That word's not --
21 A. I don't understand the term.
22 Q. Do you recall that at some point in time, and
again this is before you were on the AHERF
board, that AHERF acquired hospitals in the
Graduate Health System? Do you remember

- 1 Q. Mr. Cahouet, do you remember at any time before
2 or after the bankruptcy discussing the Graduate
3 acquisition with anyone related to AHERF?

- 4 A. No.
5 Q. Let me show you a document that I'm going to
6 mark as Exhibit 2385.

7 - - -
8 (Deposition Exhibit No. 2385 marked
9 for identification.)
10 - - -

11 MR. FRIESEN: This is a document
12 Bates numbered FVC 01568 through 72, and it's a
13 letter from Sheriff Abdelhak to the members of
14 the Allegheny boards of trustees dated
15 August 8th, 1996.

16 Just take your time to read through
17 this document, if you will.
18 - - -

19 (The witness reviewed the document.)
20 - - -

21 THE WITNESS: Go ahead.

- 22 BY MR. FRIESEN:
23 Q. This has one of those stamps again that says
received with your name?
25 A. Yes.

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- 1 anything about that?
2 A. Are you talking about Hahnemann?
3 Q. No, Graduate. Hahnemann was in 1993, and
4 Graduate was in 1996, if that's helpful.
5 MR. COGAN: Objection.
6 THE WITNESS: No.
7 MR. RESTIVO: When you get to a
natural break, let's take a five-minute break.
8 MR. FRIESEN: Okay. Let me sort of
9 ask you a few questions about Hahnemann since
10 you've brought it up, and then we can take our
11 break.
12 What do you remember, if anything,
about the acquisition of Hahnemann?

- 13 THE WITNESS: I don't remember.
14 MR. FRIESEN: All right. Why don't
we take a break.

15 THE VIDEOGRAPHER: We are going off
the record at 10:44.
16 - - -

17 (There was a recess in the proceedings.)
18 - - -

19 THE VIDEOGRAPHER: We are back on the
record at 10:53.

20 BY MR. FRIESEN:

- 1 Q. Do you recall receiving this?
2 A. No. I don't recall receiving it. I'm not
3 saying I didn't, but I don't recall receiving
4 it.
5 Q. Is this file handwriting, is that your
6 handwriting?
7 A. Yeah. That looks like it.
8 Q. Do you think that the underlining would be
9 yours?
10 A. I think so.
11 Q. And is it your practice when you receive a
12 document that you sometimes underline things in
13 the document when you read them?
14 A. Sometimes.
15 Q. Now, in 1996 when you were chairman, president,
16 and CEO of Mellon Bank, I take it that there
17 would be a lot of documents that come over your
18 desk every day. Is that fair to say?
19 A. Not really, not a lot of documents.
20 Documents. Describe a document just
21 so --
22 Q. Well, letters, memos, correspondence, things
23 like this.
24 A. Yes.
25 Q. I mean, would it be in the hundreds or --